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H PLEASE PASS TO REPRESENTATIVE ACKERMAN

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TAGS: [PREL](#) [PGOV](#) [KNNP](#) [EFIN](#) [IR](#) [KPAL](#) [IS](#)

SUBJECT: CODEL ACKERMAN'S MEETING WITH OPPOSITION LEADER
BINYAMIN NETANYAHU: ECONOMIC SQUEEZE ON IRAN AND HAMAS;
SCENARIOS FOR A NEW GOVERNMENT; RIGHT OF RETURN AS ACID
TEST OF ARAB INTENTIONS

REF: TEL AVIV 1086

Classified By: Ambassador Richard H. Jones, Reason 1.4 (b) (d)

¶1. (C) Summary. Representative Gary Ackerman (D, New York), Chairman of the Middle East and South Asia Subcommittee of the House International Relations Committee, accompanied by the Ambassador, met with Opposition Leader Binyamin Netanyahu at the Knesset April 11. The discussion covered Netanyahu's ideas on how to pressure Iran in order to block its nuclear program and topple President Ahmadinejad; Netanyahu's views on dealing with the Palestinians; his critique of Prime Minister Olmert's handling of the Second Lebanon War; and Netanyahu's analysis of Israel's domestic political situation. On Iran, Netanyahu advocated intensified financial pressures, including a U.S.-led divestment effort focused largely on European companies that invest in Iran, as the best way to topple Ahmadinejad. On the Palestinians, Netanyahu did not object to supporting President Abbas but said Israel and the U.S. should first focus more on "strangling" Hamas. Netanyahu asserted that Israel's mishandling of the Lebanon war had strengthened Israel's enemies. He predicted that Olmert would not be able to stay in power much longer, then described several different mechanisms for forming a new government. Netanyahu expressed confidence that the Israeli public recognized that he had been right, that unilateral withdrawals were a mistake, and that the priority now must be stopping Iran. Netanyahu noted that he thought dropping the "right of return" was the acid test of Arab intentions and insisted that he would never allow a single Palestinian refugee to return to Israel. End Summary.

¶2. (U) House Middle East and South Asia Subcommittee Chairman Gary Ackerman, accompanied by the Ambassador, Pol Couts, Subcommittee Staff Director David Adams, and Staff member Howard Diamond called on Opposition and Likud Party Leader Binyamin Netanyahu at the Knesset April 11. Netanyahu was joined by foreign policy adviser Dore Gold and MFA North American Department Congressional liaison Eyal Sela.

Toppling Ahmadinejad

¶3. (C) Representative Ackerman told Netanyahu that in his meeting the day before with Egyptian President Mubarak, he had asked Mubarak if military action were necessary to prevent Iran from obtaining a nuclear weapon, should the strike be carried out by the U.S. or Israel? Mubarak had responded that if it came to that, the U.S. should do it and Israel should stay out. Netanyahu said he took Mubarak's point, but commented that he thought the Iranian regime, or

at least President Ahmadinejad, could be toppled by economic pressure, including a divestment campaign. Noting that economic sanctions lose their effect over time, but can be powerful in the short term. The goal should be to encourage Ahmadinejad's political rivals to remove him from power. Afterward, if the pressure could be maintained it might be possible to bring down the entire Iranian regime, but that would also entail identifying alternative leaders. The idea was to use economic pressure to create a public sense of regime failure. Netanyahu said he had consulted with noted historian Bernard Lewis, who believed that Iran would be less dangerous once Ahmadinejad was removed.

¶4. (C) Netanyahu said there were three bills in Congress designed to divest U.S. pension funds from investing in about 300, mostly European, companies currently doing business in Iran. Divestment would immediately bring down the credit ratings of these companies, thus forcing them to respond. Netanyahu urged Congress to support the divestment legislation, adding that he also planned to use a visit to the U.S. to raise the issue with Wall Street fund managers. His approach was to tie in Darfur to expand the scope of anti-genocide divestment and link it to U.S. policy goals. Netanyahu said he was unsure that financial pressures would be enough to stop Iran's nuclear program, but he was confident they would succeed in bringing down Ahmadinejad. He commended Dore Gold's efforts to put Ahmadinejad on a genocide watch list as part of a broader effort to delegitimize the Iranian President. Asked about the quality of U.S. and Israeli intelligence on Iran, Netanyahu said his nightmare was that we had missed part of the Iranian program. He added that if the current intelligence was correct, it would take Iran a few more years to develop a nuclear weapon. He agreed with Ambassador Jones' assessment that

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Ahmadinejad's announcement of a breakthrough in Iran's centrifuge program was probably exaggerated. It would be critical, Netanyahu stressed, to target companies investing in Iran's energy sector.

Bring Down Hamas

¶5. (C) Congressman Ackerman asked Netanyahu for his views on Palestinian President Mahmoud Abbas. Netanyahu said Abbas was a "nice man who means well," but he added that Israel and the U.S. should focus on "bringing down Hamas" through an "economic squeeze." Netanyahu asserted that eight months ago, the Hamas government had been on the brink of collapse, but had become stronger because Israel became weaker as a result of the Lebanon war. Without elaborating, Netanyahu said it would be easier to weaken Hamas than to strengthen Abbas.

¶6. (C) Netanyahu commented that Shimon Peres had admitted to him that the Oslo process had been based on a mistaken economic premise, and as a result European and U.S. assistance to the Palestinians had gone to create a bloated bureaucracy, with PA employees looking to the international community to meet their payroll. Netanyahu predicted that Palestinians would vote for Abbas if they believe that he can deliver the money. He suggested putting in place an "economic squeeze with an address," so that Hamas would receive the popular blame. Asked if Fatah knew how to conduct an election campaign, Netanyahu said the Palestinian patronage system should be forced to collapse, which would have an immediate impact since the entire Palestinian economy was based on graft and patronage. Instead, he asserted, the opposite was happening. Hamas was also handling the prisoner release issue well since they had created the impression that Hamas was in control of the process and "sticking it to the Israelis."

¶7. (C) Congressman Ackerman asked if Abbas would survive politically. Netanyahu said he was unsure, since politics

were stressful, especially Palestinian politics. The policy, he added, should be to starve the NUG. If any money is given, it should go directly to Abbas. Netanyahu said it was not clear the GOI has a policy, there was a general climate of weakness.

Lebanon War Failures

18. (C) Turning to the Second Lebanon War, Netanyahu said the problem was not the war's goals but rather the disconnect between goals and methods. If the IDF had used a flanking move by a superior ground force, it could have won easily. Instead, Israel "dripped troops into their gunsights," an approach he termed "stupid." The top leadership had lacked a sense of military maneuver. In addition, they had been afraid to take military casualties, but instead got many civilian casualties. If Olmert had mobilized the reserves in ten days, seized ground, destroyed Hizballah in southern Lebanon, and then withdrawn, he would be a hero today. Instead, Netanyahu predicted, Olmert will not last politically. Olmert's current public support levels of three percent were unsustainable.

A New Government?

19. (C) Netanyahu said the pressure on Olmert was accumulating as a result of corruption investigations as well as the impending release of the Winograd Commission's interim report. Olmert could be pushed out as a result of a rebellion within the Kadima Party. Kadima members are realizing they cannot allow Olmert to stay in power, but Kadima itself might collapse since it was a "fake party." Netanyahu described several options, including Kadima replacing Olmert, a new coalition formed in the Knesset, or Netanyahu's preferred option, new elections. New elections, he stated, are supported by sixty-five percent of the public. Netanyahu insisted he was in no rush since he was "enjoying the time with his family" and rebuilding the Likud Party. Likud was reaching thousands of new supporters, including many highly educated professionals and high tech entrepreneurs, through the internet.

110. (C) Netanyahu asserted there was a growing sense in the public that he had been right in the last election.

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Unilateral "retreats" (i.e. such as the withdrawals from Gaza and southern Lebanon) were the wrong way to go. Israel had allowed an Iranian enclave to establish itself in Gaza. Syria was arming itself for the first time in 20 years, Hizballah had rearmed since the war, and Gaza was being turned into a bunker. Egypt was not doing on a twelve mile front along the Gaza border what Jordan was doing on a 150-mile front. The way out was to stop Iran, thereby dealing with the octopus, not just its tentacles.

Right of Return the Acid Test

111. (C) Netanyahu stated that a return to the 1967 borders and dividing Jerusalem was not a solution since further withdrawals would only whet the appetite of radical Islam. Ackerman asked if the Palestinians would accept peace based on the 1967 lines. Netanyahu said he would not agree to such a withdrawal since the 1967 lines were indefensible, but he added that the "right of return" was the real acid test of Arab intentions. Instead of Israel making more step-by-step concessions, Israel should insist that further concessions be linked to reciprocal steps toward peace. The Palestinians must drop the right of return and accept Israel's right to exist. The Arab initiative did not meet this standard since it keeps the right of return open. Israel will only have a peace partner when the Palestinians drop the right of return. Asked whether Israel could accept case by case exceptions,

Netanyahu insisted not one refugee could ever return. Israel, after all, was not asking for the right of Jews to return to Baghdad or Cairo.

¶12. (C) Netanyahu said UNSCR 242 was not a bad formula since it did not specify precisely from which territories Israel would withdraw. After the withdrawals from Gaza and Lebanon, there was deep disillusionment among Israelis about the principle of land for peace. Even the noted Israeli leftist writer AB Yehoshua had said in a recent interview that he despaired about peace because the Arabs wanted all of Israel. From 1948 to 1967, the conflict had not been about occupied territories, but that point had been obscured by "effective propaganda." The root of the conflict was an Arab desire to destroy Israel, which had now become part of the larger ambitions of radical Islam.

¶13. (C) The 1967 borders were not the solution since Israel was the only force blocking radical Islam's agenda of overrunning Jordan and Saudi Arabia. Netanyahu proposed that Israel offer to work with the Saudis against Iran. If Iran was not stopped, there would be no agreement with the Palestinians, and the peace treaties with Jordan and Egypt would come under tremendous pressure. There could be no deterrence against "crazies" such as Ahmadinejad. Netanyahu advised Congress to expedite the legislative effort for divestment. If that did not work, we could reconsider other options. Congressman Ackerman said that if Netanyahu came to Washington, he would hold a hearing on divestment.

¶14. (U) CODEL Ackerman did not have the opportunity to clear this message.

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JONES